

Message Text

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FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

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USADB

TREASURY FOR FINKEL

E.O. 11652: NA

TAGS: EAID, EFIN

SUBJ: ADB SPECIAL FUNDS

FOLLOWING ARTICLE WHICH APPEARED IN PHILIPPINE DAILY EXPRESS OF SEPT 18, 1973, MAY BE OF USE IN CONSULTATIONS WITH CONGRESS RE SPECIAL FUNDS REQUEST:

QUOTE

ADB SOFT LOANS PROGRAM RUNS INTO A MAJOR SNAG

IS THE ASIAN DEVELOPMENT BANK'S CAPABILITY TO HELP THE DIRT-POOR NATIONS OF THE REGION THINNING OUT THIS EARLY?

THE QUESTION IS BEING DISCUSSED IN ADB CORRIDORS SINCE THE US HAS NOT DELIVERED ON ITS PROMISE OF A \$100-MILLION CHECK FOR THE ADB.

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ON SURFACE, THERE IS AN AIR OF BRISK CONFIDENCE AMONG ADB STAFF MEMBERS. BUT THERE IS ALSO DOUBT THAT THE ADB'S NEWLY-APPOINTED PRESIDENT, SHIRO INOUE OF JAPAN, IS INCREASINGLY WORRIED OVER WASHINGTON'S RELUCTANCE TO SIGN THE PROMISED CHECK FOR A \$100-MILLION CONTRIBUTION TO THE BANK'S SPECIAL FUND.

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THE SPECIAL FUND IS THE SOURCE OF LOW INTEREST (1.5 TO THREE PERCENT) CONCESSIONAL LOANS. THIS IS VITAL TO THE POORER NATIONS OF ASIA. OFTEN BURDENED BY RAPID POPULATION INCREASES, THESE NATIONS MUST LAUNCH LONG-RANGE DEVELOPMENT PROJECTS. THESE COUNTRIES ARE STRAPPED WITH HIGH DEBT BURDENS. MOST CANNOT AFFORD THE NORMAL HARD-NOSED LOANS. LENDING TO THESE NATIONS MUST BE MADE AT HIGHLY CONCESSIONAL TERMS, IF THEY ARE TO BREAK OUT OF THEIR PROVERTY.

US PARTICIPATION IN BUILDING UP THIS FUND IS CRITICAL. LEGISLATION AUTHORIZING THE \$100-MILLION CONTRIBUTION TO THE ADB'S TARGET OF \$525 MILLION FOR SOFT LOANS PASSED THE AMERICAN CONGRESS IN 1972. ACTUAL APPROPRIATION IS BEING AWAITED UP TO NOW. THIS LAG HAS SEEN THE US SLIDE TO FOURTH PLACE IN VOTING POWER WITHIN THE BANK - BEHIND JAPAN, INDIA AND AUSTRALIA.

MORE IMPORTANT, HOWEVER, THE US CONGRESS' INACTION IS RAISING DOUBTS ABOUT THE FUNDS FUTURE. MANY BANKERS FEEL THAT US PARTICIPATION WOULD PROD OTHER WELL-OFF DONOR NATIONS TO CHIP IN.

AT THIS STAGE OF THE GAME, THE SPECIAL FUND HAS MANAGED TO CONVINCE TWO MAJOR WELL-OFF NATIONS - JAPAN AND AUSTRALIA - TO SIGN UP. JAPAN PLEDGED TO PUT UP \$175 MILLION. AUSTRALIA COMMITTED \$27 MILLION. BUT THERE IS A STRING: TOKYO AND CANBERRA WILL COME IN WITH THE CASH, PROVIDED MAJOR NATIONS ALSO PARTICIPATE SIGNIFICANTLY - A POINTED NUDGE AT THE US.

THE BANK'S CONCESSIONAL FUNDS HAVE ALSO RECEIVED A SMALLER CONTRIBUTION FROM SWITZERLAND (\$6 MILLION), NORWAY (\$2 MILLION) AND LATELY ITALY.

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BUT THESE ARE HARDLY ENOUGH TO GET THE SPICAL FUND OFF THE GROUND. UNLESS MORE INTERIM CONTRIBUTIONS COME IN SOON, THE BANK WILL HAVE NO ALTERNATIVE BUT TO CUT DRASTICALLY ITS CONCESSIONAL LOANS. SUCH A CUTBACK WOULD CRIPPLE DEVELOPMENT PROJECTS.

IN ITS SHORT HISTORY, THE ADB HAS LOANED OUT OVER \$1 BILLION.

THIS IS AN IMPRESSIVE RECORD FOR AN INSTITUTION THAT CAME INTO BEING ONLY IN 1966 AND STARTED LENDING OPERATIONS IN 1968.

IN 1972, THE BANK APPROVED 32 LOANS TOTALLING \$316.09 MILLION COMPARED WITH 28 LOANS WORTH \$254.03 MILLION IN 1971. FOURTEEN COUNTRIES, INCLUDING FIJI AND BANGLADESH, BENEFITTED FROM THESE LOANS.

SIGNIFICANTLY, THE BANK'S CONCESSIONAL LENDING HAS RISEN SHARPLY. SOFT LOANS ROSE BY 83 PERCENT FROM \$42.83 MILLION TO \$94.34 MILLION. THESE REPRESENTED 16 LOANS DRAWN FROM THE SPECIAL FUND IN 1972 AS AGAINST 12 THE PRECEDING YEAR. OVERALL, 44 LOANS AMOUNTING TO \$201.5 MILLION HAVE BEEN AUTHORIZED FROM SPECIAL FUNDS RESOURCES. UNQUOTE SULLIVAN

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